

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 ARA-10 EA-09 ISO-00 FEA-01 ERDA-07
AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07
FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01
PM-04 USIA-15 OES-06 SP-02 SS-15 STR-04 TRSE-00
ACDA-10 PA-02 PRS-01 /144 W
-----270925Z 128633 /10

R 270815Z DEC 76
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 6693
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI

UNCLAS JIDDA 8297

E.O. 11652: N/A
TAGS: PFOR, SA, EPET
SUBJECT: CROWN PRINCE FAHD ON OIL POLICY

1. IN AN INTERVIEW GIVEN TO BEIRUT DAILY AL ANWAR, CROWN PRINCE FAHD SPOKE ON THE RECENT SAG DECISION TO RAISE OIL PRICES BY 5 PERCENT. THE CROWN PRINCE SAID THAT A HEFTY INCREASE IN THE PRICE OF OIL WOULD AUTOMATICALLY LEAD TO AN INCREASED IN WORDL INFLATION THIS IN TURN WOULD FORCE THE CONSUMER NATIONS TO RAISE PRICES ON FINISHED GOODS WHICH THE PRODUCER NATIONS WOULD BUY, THUS FORCING PRO-
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DUCERS TO FOOT THE FINAL BILL AND FURTHER HARM PROSPECTS FOR DEVELOPING NATIONS. THE KINGDOM, SAID PRINCE FAHD, IS DETERMINED THAT OIL SHOULD BE AN ELEMENT OF STABILITY, NOT DISRUPTION, IN THE WORLD ECONOMY.

2. DENYING THAT THE KINGDOM HAD DECIDED TO LIMIT THE

PRICE INCREASE TO SERVE "A CERTAIN COUNTRY OR A CERTAIN PRESIDENT," THE CROWN PRINCE STATED THAT "WE WILL DECIDE ON AN INCREASE WHEN WE SEE A REASON FOR IT AND WE WILL FREEZE PRICES WHEN WE FEEL A NEED FOR IT." FAHD SAID THAT MINPET YAMANI HAD EXPLAINED THE KINGDOM'S NEW POSITION AT DOHA AND THAT "OPEC MEMBERS UNDERSTOOD OUR VIEWPOINT, THOUGH I WOULD NOT SAY THAT THEY WERE CONVINCED." IN THE PAST, FAHD EXPLAINED, THE KINGDOM HAD GONE ALONG WITH OPEC INCREASES TO PRESERVE UNANIMITY, THOUGH IT HAD NOT BEEN CONVINCED OF THE NEED FOR THOSE INCREASES. NOW, STRESSED FAHD, "WE WILL DO WHAT WE CONSIDER APPROPRIATE TO OUR INTEREST AND THE INTEREST OF THE WORLD ECONOMY."

3. THE CROWN PRINCE REPEATED SAUDI ARABIA'S DETERMINATION TO PRESERVE OPEC UNITY AND PLEDGED TO CONTINUE ITS COMMITMENTS TO THE ORGANIZATION. HE PLEDGED CONTINUING SAG SUPPORT FOR ARAB, OPEC AND UN DEVELOPMENT FUNDS, VOICING THE HOPE THAT OTHER OPEC NATIONS WILL ALSO CONTINUE TO DO THE SAME.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PETROLEUM PRODUCTS, PRESS CONFERENCES, PRICE INDEXES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JIDDA08297
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760472-0762
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761213/aaaaakzk.tel
Line Count: 81
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by williarl>; APPROVED <28 DEC 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CROWN PRINCE FAHD ON OIL POLICY
TAGS: PFOR, SOPN, SA, (FAHD, PRINCE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006